

Manager insight – 31 January 2009

The Balanced Growth Portfolio, Diversified Growth Portfolio and Wealth Appreciation Portfolio appreciated in value over January, despite global equity markets having their worst January on record.

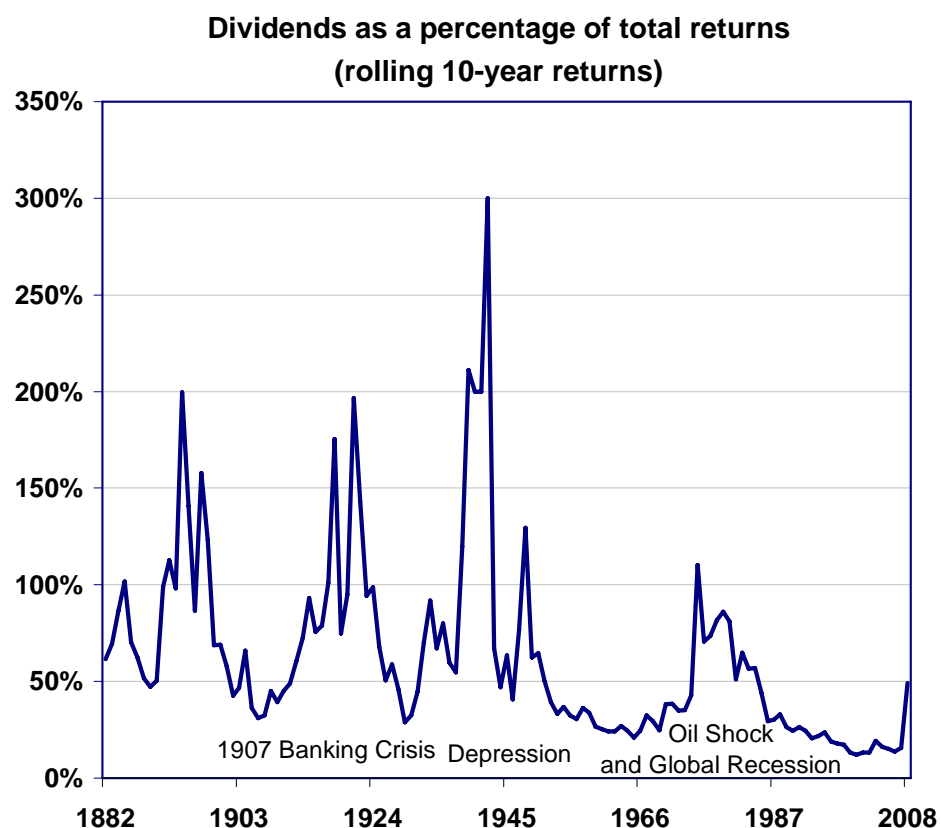
The Portfolios' equity exposure was predominantly protected over the review period through the implementation of the equity protection strategy. While the short-term model did signal a small allocation to equities at the beginning of the month, the model quickly turned negative when the equity market started to decline.

Over the month, an allocation to Tweedy Browne Company LLC – a dividend oriented equity manager – was made. This allocation has replaced the global equity value allocation as, in the current stressed market environment, a focus on companies with high, sustainable dividends is a more appropriate strategy.

An allocation was also made to global corporate investment-grade bonds. These bonds are currently trading at prices which deliver equity like returns for considerable less risk. We feel that these investment-grade bonds offer particularly good value.

The Portfolios have benefited from investments in government bonds and US inflation-adjusted government bonds, as well as an exposure to foreign currency over the period. At the end of the review period, the Portfolios had a 15% exposure to US dollars.

The graph below highlights that during periods of market stress, dividends become a greater component of total return.

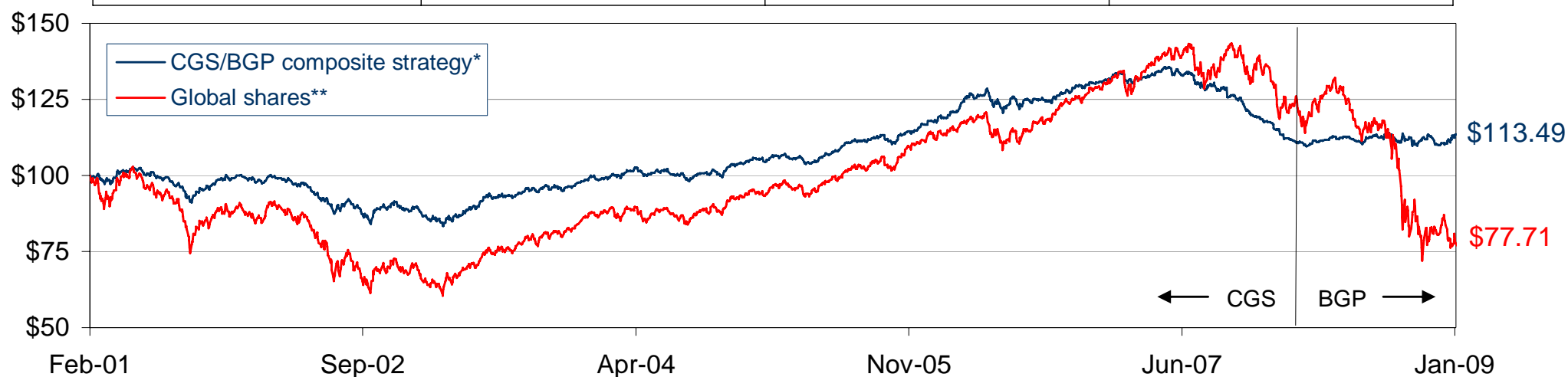


Source: R Shiller, S&P

Balanced Growth Portfolio

Performance to 31 January 2009 for CGS/BGP composite strategy*

BGP performance attribution	One month	Three month	Six month
Positive	Equity protection strategy	-	-
Neutral	n/a	-	-
Negative	Equity strategies	-	-



BGP return One-month	BGP return Three-month	BGP return Six-month	BGP return One-year	Composite strategy return Since inception pa
2.62%	2.00%	0.85%	-	1.60%

Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.
 *Conservative Growth Strategy (CGS) data from 20 Feb 01 to 28 Feb 08. Balanced Growth Portfolio (BGP) data from 28 Feb 08 to 31 Jan 09. **Source: Bloomberg. Global shares represented by MSCI World Index in local currency. The asset class index in the chart (MSCI World Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

Balanced Growth Portfolio

Portfolio summary as at 22 January 2009

Portfolio summary

Income strategies (before equity hedge)	76%
Growth strategies (before equity hedge)	24%

Strategy	Manager	Asset class	Proportion of portfolio
Income strategies			96%
Money market	NZ Funds	Cash	28%
Government bonds	NZ Funds	NZ/US government bonds	24%
NZ loans	Fidelity	NZ direct loans	7%
Corporate bonds	NZ Funds	Global corporate bonds	17%
Equity hedge*	NZ Funds	Cash	20%
Growth strategies			4%
Australasian shares – High dividend yield	NZ Funds	Australasian shares	9%
Global shares – High dividend yield	Tweedy Browne	Global shares	6%
Global shares – Growth	T Rowe Price	Global shares	6%
Global absolute return	Multiple managers	Equity strategies	3%
Equity hedge**	NZ Funds	Global shares	-20%
Total			100%
Return enhancement			15%
Currency	NZ Funds	Exposure to weakening NZD	15%

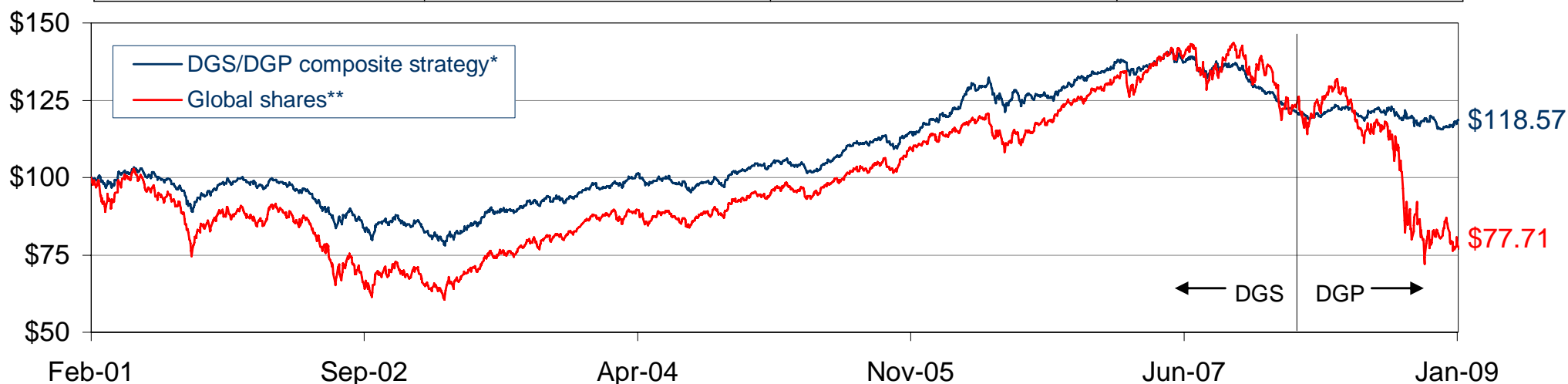
**The effect of the equity hedge is to remove the impact of changes in global shares from the portfolio. Actual performance will depend on whether the respective manager under or outperforms the global equity benchmark. In addition to this manager outperformance, the portfolio receives a cash return on the hedged assets.

**The equity hedge applies to 80% of Australasian shares, 100% of global shares and 25% of equity strategies. Note: Rounding may effect totals and subtotals.

Diversified Growth Portfolio

Performance to 31 January 2009 for DGS/DGP composite strategy*

DGP performance attribution	One month	Three month	Six month
Positive	Equity protection strategy	-	-
Neutral	n/a	-	-
Negative	Equity strategies	-	-



DGP return One-month	DGP return Three-month	DGP return Six-month	DGP return One-year	Composite strategy return Since inception pa
1.92%	0.08%	-2.36%	-	2.17%

Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns.
 *Diversified Growth Strategy (DGS) data from 20 Feb 01 to 28 Feb 08. Diversified Growth Portfolio (DGP) data from 28 Feb 08 to 31 Jan 09. **Source: Bloomberg. Global shares represented by MSCI World Index in local currency. The asset class index in the chart (MSCI World Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

Portfolio summary as at 22 January 2009

Portfolio summary

Income strategies (before equity hedge)	69%
Growth strategies (before equity hedge)	31%

Strategy	Manager	Asset class	Proportion of portfolio
Income strategies			95%
Money market	NZ Funds	Cash	25%
Government bonds	NZ Funds	NZ/US government bonds	20%
NZ loans	Fidelity	NZ direct loans	8%
Corporate bonds	NZ Funds	Global corporate bonds	16%
Equity hedge*	NZ Funds	Cash	26%
Growth strategies			5%
Australasian shares – High dividend yield	NZ Funds	Australasian shares	13%
Global shares – High dividend yield	Tweedy Browne	Global shares	7%
Global shares – Growth	T Rowe Price	Global shares	8%
Global absolute return	Multiple managers	Equity strategies	3%
Equity hedge**	NZ Funds	Global shares	-26%
Total			100%
Return enhancement			15%
Currency	NZ Funds	Exposure to weakening NZD	15%

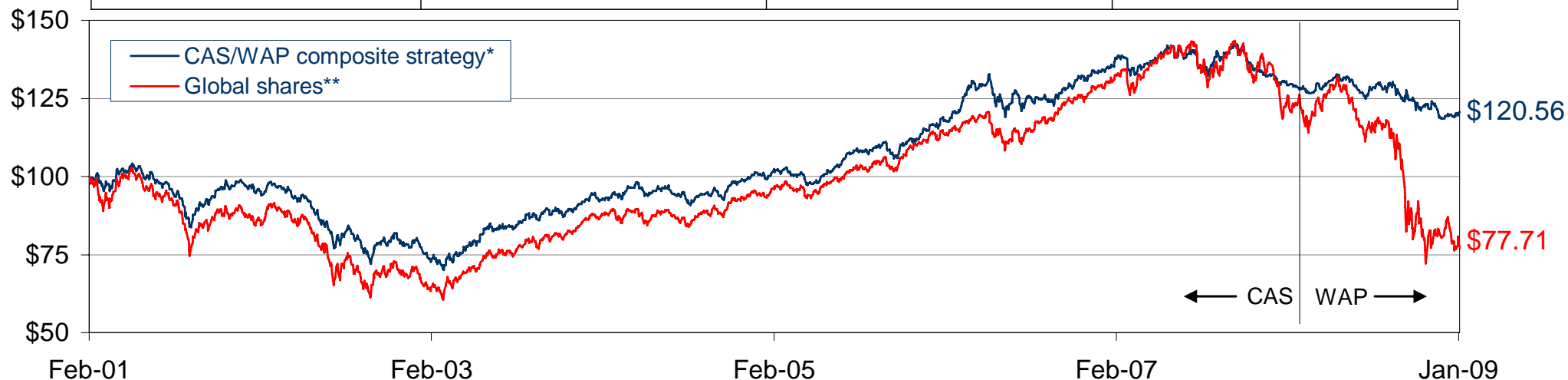
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Wealth Appreciation Portfolio

Performance to 31 January 2009 for CAS/WAP composite strategy*

WAP performance attribution	One month	Three month	Six month
Positive	Equity protection strategy	-	-
Neutral	n/a	-	-
Negative	Equity strategies	-	-



WAP return One-month	WAP return Three-month	WAP return Six-month	WAP return One-year	Composite strategy return Since inception pa
0.97%	-2.34%	-6.16%	-	2.38%

Returns are stated after Portfolio fees and expenses, but before any advisory fees or investor tax. Past performance is not necessarily an indication of future returns. *Capital Appreciation Strategy (CAS) data from 20 Feb 01 to 28 Feb 08. Wealth Appreciation Portfolio (WAP) data from 28 Feb 08 to 31 Jan 09. **Source: Bloomberg. Global shares represented by MSCI World Index in local currency. The asset class index in the chart (MSCI World Index) is not for benchmarking purposes but rather to demonstrate the performance of the largest asset class allocation in the Portfolio.

Wealth Appreciation Portfolio

Portfolio summary as at 22 January 2009

Portfolio summary

Income strategies (before equity hedge)	61%
Growth strategies (before equity hedge)	39%

Strategy	Manager	Asset class	Proportion of portfolio
Income strategies			93%
Money market	NZ Funds	Cash	25%
Government bonds	NZ Funds	NZ/US government bonds	15%
NZ loans	Fidelity	NZ direct loans	7%
Corporate bonds	NZ Funds	Global corporate bonds	14%
Equity hedge*	NZ Funds	Cash	32%
Growth strategies			7%
Australasian shares – High dividend yield	NZ Funds	Australasian shares	18%
Global shares – High dividend yield	Tweedy Browne	Global shares	7%
Global shares – Growth	T Rowe Price	Global shares	10%
Global absolute return	Multiple managers	Equity strategies	4%
Equity hedge**	NZ Funds	Global shares	-32%
Total			100%
Return enhancement			15%
Currency	NZ Funds	Exposure to weakening NZD	15%

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For further information or to request a copy of the relevant Investment Statement, please contact New Zealand Funds Management Limited.

Past performance is not necessarily an indication of future returns.

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